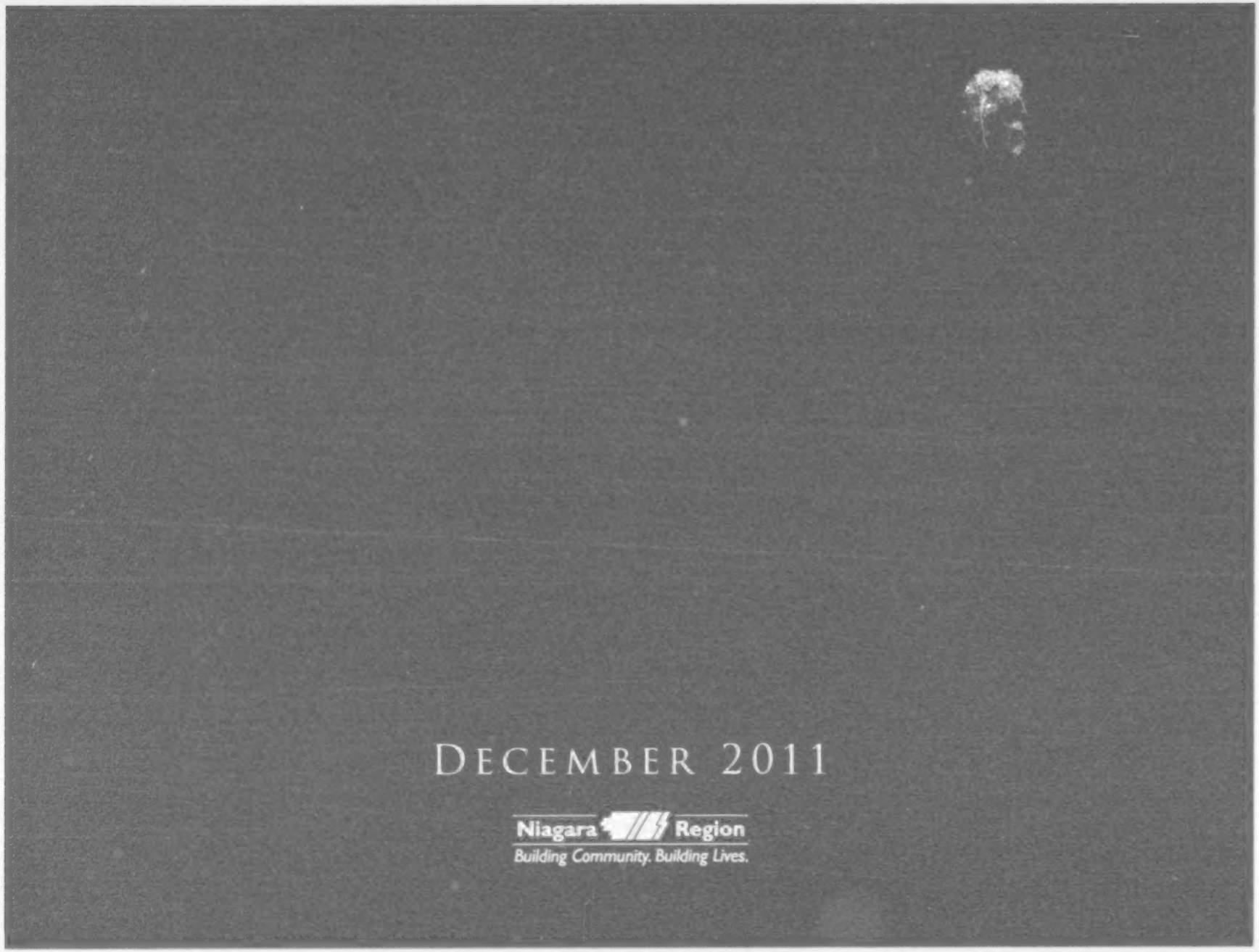
NIAGARA REGION

ANNUAL FINANCIAL UPDATE

DECEMBER 2011

Niagara Region
Building Community. Building Lives.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MESSAGE FROM THE TREASURER

Brian Hutchings, B Comm, CGA
Commissioner, Corporate Services
Treasurer, Niagara Region

On behalf of the Niagara Region, I am pleased to provide you with this fourth quarter and yearend financial update. This update was achieved through substantial collaboration between divisions throughout the organization. Our hope is that the information provided will increase transparency and give Council timely and detailed information to assess the finances of the Niagara Region and plan for the future.

I am pleased to announce that new to our financial reporting is a capital summary and corporate financial statistics.

The Niagara Region concluded the year with a December 31, 2011 funding surplus of $11.3 million ($3.4 million related to levy programs and $7.9 million related to rate programs). This surplus represents 1.5 per cent of the Niagara Region's 2011 gross operating budget. This surplus is being generated mainly from increased investment income, maximization of Ministry funding, and increased Niagara Recycling revenues due to favourable recyclables market prices.

The Region is projecting reserve and reserve fund balances of $235.8 million before yearend transfers and $247.1 million after yearend transfers.

The Niagara Region continues to balance taxpayer affordability with sustainability. The Niagara Region surplus will be used to lower the 2012 tax levy and support future capital investment in the Niagara Region, as previously approved by Council. Over the past five years the Niagara Region's property taxes have increased a total of 1.25 per cent after assessment growth.

We hope you will find the information provided in this report of value and we welcome any suggestions for its improvement going forward.

Brian Hutchings, B Comm, CGA
Commissioner, Corporate Services
Treasurer, Niagara Region

Consolidated Funding Surplus

Description	Levy	Water & Wastewater	Waste Management	Total
Regional Departments	$ 2,301,665	$ 2,113,092	$ 5,784,548	$ 10,199,305
General Governement	1,679,693	$ -	$ -	1,679,693
Boards and Agencies	(589,021)	-	-	(589,021)
Operating Funding Surplus	$ 3,392,337	$ 2,113,092	$ 5,784,548	$ 11,289,977

Comments:

The Niagara Region has a funding surplus in 2011 of $11.3 million after unspent budgeted reserve transfers of $2.2 million were returned to their respective reserves. Levy supported areas have a funding surplus of $3.4 million, and rate related areas have a funding surplus of $7.9 million.

The surplus generated by Regional departments resulted primarily from on-going efforts to maximize ministry funding and a one-time adjustment for software expenses paid in advance. Throughout the year, efforts were made to make some one time accounting adjustments to align our internal reporting with accrual accounting. As a result most of the funding surplus generated by Regional departments is one-time. Boards and agencies deficit is mainly a result of additional personnel costs at the Niagara Regional Police Service (NRPS) due to additional internal equity requirements. Their deficit is offset by surplus acheived by the Provincial Offences Act (POA) and Niagara Regional Housing (NRH). The surplus generated in general governement is primarily driven by increased investment income resulting from changes to the investment policy and certain trades executed due to price appreciation of the bond portfolio.

Water and wastewater surplus is mainly driven by higher water revenues from increased water flows, additional waste revenues, and some savings in contract maintenance and repairs costs. Waste management surplus was driven by higher than projected processing revenue resulting primarily from strong recycling market pricing.

As proposed in CSD 35-2012, the yearend surplus was transferred to reserves as follows:

Yearend transfer Reserve	R0973	$ 2,836,664	Fund 2012 Budget as approved
NRH Owned Units Reserve Fund	RF0967	197,451	Future capital improvements for owned units
Public Health Reserve	R0876	538,742	Future IT and capital requirement
Contingency Reserve	R0931	100,000	Support 2012 bi-election costs
Police Accumulated Sick Leave Reserve Fund	RF0926	(350,000)	Fund extra cost for retirement sick leave payouts
Police Contingency	R0921	69,480	Police Service Board Surplus
Levy related transfers		$ 3,392,337	
Sewage Operations Capital Works Reserve Fund	RF0961	$ 395,603	Support the ongoing capital program
Water Operations Capital Works Reserve Fund	RF0962	1,717,489	Support the ongoing capital program
Waste Management Reserve Fund	RF0970	5,784,548	Support the ongoing capital program
Rate related transfers		$ 7,897,640	

Consolidated - Statement of Operations

Object of Expenditure Description	Annual Budget	2011 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 321,177,740	$ 326,544,144	$ (5,366,404)
Administrative Expenses	7,178,422	6,668,826	509,596
Materials, Supplies & Utilities	44,157,345	46,307,490	(2,150,145)
Repairs & Maintenance	16,846,766	16,493,396	353,370
Purch. Serv. & Other Operating Exp.	119,454,470	117,099,824	2,354,646
Social Assistance	96,419,970	92,684,656	3,735,314
Financial Expenditures	94,494,623	103,277,035	(8,782,412)
Capital Equipment & Renovations	2,280,571	2,770,461	(489,890)
Interfunctional Operating Charges	79,236,102	81,720,609	(2,484,507)
Interfunctional Operating Recoveries	(79,236,102)	(81,720,837)	2,484,735
NRH Housing Provider Subsidy & Supplements	26,492,642	34,385,220	(7,892,578)
Transfers to Reserves & Reserve Funds	60,626,856	73,626,488	(12,999,632)
External Recoveries	(35,838,959)	(36,491,174)	652,215
Capital Recoveries	(1,681,304)	(1,863,530)	182,226
Total Gross Expenditure	**751,609,142**	**781,502,607**	**(29,893,465)**
Revenue			
Taxation - Levy	(300,530,189)	(299,331,886)	(1,198,303)
Taxation - Rate	(136,366,023)	(136,819,239)	453,216
Ontario/Canada Grants	(215,195,187)	(229,667,959)	14,472,772
Fees & Service Charges	(35,149,186)	(37,591,440)	2,442,254
Other Revenue	(53,454,665)	(68,319,732)	14,865,067
Transfers from Reserves & Reserve Funds	(10,913,892)	(21,062,327)	10,148,435
Total Revenue	**(751,609,142)**	**(792,792,584)**	**41,183,442**
Net Expenditure/(Revenue)	$ -	$ (11,289,977)	$ 11,289,977

Consolidated - Statement of Operations (cont'd)

Variance Analysis

The consolidated funding surplus is $11.3 million. The majority of this surplus is being generated by:

- Increased net investment income of $2.3 million (includes the $1.2 million transfer to reserves for the interest allocation to reserves and $1.0 million transfer to investment income stabilization reserve)
- Increased Waste Management surplus of $5.8 million due primarily to favourable recyclables market price
- Increased POA surplus of $0.7 million due primarily to fines imposed and collected greater then orginially forecasted
- Increased net water and wastewater surplus of $2.1 million due to higher than budgeted water and sewer surchages, energy efficiency incentive rebates and savings in contracted maintenance costs

The $5.4 million in unfavourable personnel is mainly being driven by:

- Niagara Region Police Services (NRPS) personnel costs are over budget by $3.3 million partly due to additional internal equity requirements
- Corporate Services personnel costs are over budget by $0.6 million mainly due to divisional reorganizations
- Public Works personnel costs are over budget by $0.9 million mainly due to additional overtime in roads and unbudgeted grid movements
- Community Services personnel costs are over budget by $0.9 million mainly due to higher than budgeted payroll related costs (PRC) burden rates in the Seniors Division
- Greater than budgeted benefit costs of $0.5 million for employees on leave & retirees and higher then planned termination/early sick leave payouts
- Greater than budgeted Workplace Safety and Insurance Board (WSIB) costs of $0.6 million due to a few large claims. This additional cost is allocated to departments through chargeback/recovery

The unfavourable personnel costs above are offset by favourable variances in other departments

Unfavourable financial expenditures are being driven by unbudgeted but planned and approved special initiative contributions to Brock BioScience ($1.0 million), Niagara College ($0.55 million), and the initial payment to the Niagara Health Systems Cancer Centre ($5.6 million). In addition, the unbudgeted but approved payment to local municipalities for the wastewater reconciliation ($3.7 million) was included in financial expenditures. These payments were all fully funded from reserves.

Niagara Regional Housing (NRH) has received additional housing provider subsidies recorded as favourable Ontario/Canada grants resulting in increased outlays of $7.9 million to housing providers. The remaining favourable variance in Ontario/Canada grants is due to the one-time Ontario Municipalities Partnership Fund (OMPF) funding of $5.2 million which was transfered to reserves.

Increased other revenue is primarily driven by increased recycling revenues and additional investment income identified above.

Corporate Administration - Statement of Operations

Object of Expenditure Description	Annual Budget	2011 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 1,966,609	$ 1,859,032	$ 107,577
Administrative Expenses	181,750	175,349	6,401
Materials, Supplies & Utilities	38,246	28,570	9,676
Repairs & Maintenance	200	0	200
Purch. Serv. & Other Operating Exp.	155,975	95,916	60,059
Capital Equipment & Renovations	2,140	2,180	(40)
Interfunctional Operating Charges	6,796	7,917	(1,121)
Total Gross Expenditure	**2,351,716**	**2,168,964**	**182,752**
Revenue			
Other Revenue	0	(107,421)	107,421
Total Revenue	**0**	**(107,421)**	**107,421**
Net Expenditure/(Revenue)	**$ 2,351,716**	**$ 2,061,544**	**$ 290,172**

Corporate Administration - Statement of Operations (cont'd)

Community Impacts & Achievements

The Corporate Administration (30 Members of Council, Office of the Regional Chair - 3 FTE and CAO - 4 FTE) budget is 85% personnel cost driven. This team provides overall political leadership, governance, policy direction and corporate management to the Corporation.

Major Priorities / Initiatives include:

- Implementation of the new Council Business Plan emphasizing improved service and reduced costs; improving Niagara's economy, governance and community services.
- Reviewing the Regions various programs and service delivery areas for improved effectiveness and greater efficiency including development of clear and meaningful performance measures.
- Delivering effective government and stakeholder relations to leverage partnerships and secure provincial and federal government support for Niagara's needs and priorities.
- Enhanced community engagement opportunities with the budget process
- Improved relationships with our service delivery partners

Major 2011 Deliverables include:

- Commencing an inter-municipal transit pilot program.
- Commencing a new long term waste collection contract with greater customer service and recycling convenience
- Establishing a new Investment and Property Assessment Taxation Reform Committee to improve investment performance and consider new tax policy
- Implementation of a "Responsive Region Improvement Team" to lead a series of program reviews to enhance service to residents and find savings
- Led another successful "Niagara Week" government relations event at Queens Park to educate the provincial government on the needs of Niagara and secure their support for our priorities
- Implementation of the Economic Development Task Force transition plan for a new model for economic development in Niagara that leverages related collective efforts in Niagara, improves business retention and expansion services and provides one window service to potential new businesses to Niagara
- Delivered a tax decrease to Niagara Region taxpayers (2011)

Variance Analysis

Corporate Administration at year end had an expenditure surplus of $182,752. This is mainly attributable to favourable personnel costs, reduced expenditures in other direct operating expenses and additional revenue. Councillor payroll related costs tracked below guidance (approximately $56,000) and the department had received the benefit of a one time payroll accrual correction related to 2010 (approximately $40,000).
Other revenue includes a one time GST/HST rebate of $72,551 related to 2007-2010 and an on-going HST rebate, $32,209 for 2011.

Corporate Services - Statement of Operations

Object of Expenditure Description	Annual Budget	2011 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 15,941,208	$ 16,501,062	$ (559,854)
Administrative Expenses	351,482	282,026	69,456
Materials, Supplies & Utilities	1,875,800	1,724,944	150,856
Repairs & Maintenance	2,023,461	2,025,902	(2,441)
Purch. Serv. & Other Operating Exp.	6,286,696	5,264,913	1,021,783
Financial Expenditures	3,000	417	2,583
Capital Equipment & Renovations	23,210	44,884	(21,674)
Interfunctional Operating Charges	5,757,630	5,819,813	(62,183)
Interfunctional Operating Recoveries	(11,704,550)	(12,901,988)	1,197,438
Transfers to Reserves & Reserve Funds	124,472	1,204,373	(1,079,901)
External Recoveries	(160,000)	(147,626)	(12,374)
Capital Recoveries	(162,287)	126,435	(288,722)
Total Gross Expenditure	**20,360,122**	**19,945,157**	**414,965**
Revenue			
Fees & Service Charges	(154,050)	(141,772)	(12,278)
Other Revenue	(863,153)	(1,557,128)	693,975
Transfers from Reserves & Reserve Funds	(33,250)	(297,507)	264,257
Total Revenue	**(1,050,453)**	**(1,996,408)**	**945,955**
Net Expenditure/(Revenue)	**$ 19,309,669**	**$ 17,948,749**	**$ 1,360,920**

Corporate Services - Statement of Operations (cont'd)

Community Impacts & Achievements

There have been a number of significant projects and initiatives undertaken in Corporate Services in the fourth quarter of 2011. These include the following:

- Departmental strategic plan for 2012 – 2015 completed and presented to committee in Q4
- Divisions working on individual workplans for 2012, including performance measures, rolling up to departmental strategic plan
- 2012 budget close in 2012 – two budgets closed in the same calendar year
- Request for Proposals (RFP) to review emergency dispatch services in Niagara releases, with study looking to begin in March 2012
- 6,853 human resource-related requests for service in Q4, 36,155 overall in 2011 – essentially maintaining the similar number of requests as in 2010
- Completion of first phase of the long-term accommodation study for Public Health, Community Services and Emergency Medical Service (EMS) – further research identified for specific geographic areas (i.e. Niagara Falls)
- Niagara Regional Police Services (NRPS) facilities - Continued progression of the combined NRPS/EMS facility in Fort Erie.
- Preparation for the early resolution model in Provincial Offenses Act (POA) in Q2 of 2012. Formalizes the process whereby a member of the public can request a meeting with a prosecutor with respect to charge(s) laid
- Research and background information for potential acquisition of lakefront property in Wainfleet
- Defence of Niagara Region regarding Ministry of Labour charges at Rapelje Lodge
- Supported over $14.5 million in purchased bid documents in Q4
- 4,324 IT service requests in the fourth quarter, 15,819 overall in 2011 – an increase of approximately 150 over 2010 Q4 numbers, however a decrease of approximately 1,200 requests over 2010 numbers
- Research and scoping for attendance management and leaves process review completed, moving forward with pilot projects identified for these areas in 2012
- 102 IT projects completed in 2011 on behalf of client groups across the corporation
- Labour relations – negotiating with three bargaining units in Q4
- Continued reduction in WSIB incidences – 33 fewer lost time accidents in Q4, a 24 per cent drop from 2010 numbers

Variance Analysis

Corporate Services has a yearend surplus of $1.4 million. To date, favourable variances have occurred in purchased services due to a one time accounting adjustment for software expenses paid in advance, but will be expensed in 2012 as this is when the service will be received. A favourable variance has additionally occurred in materials, supplies and utilities due to utilities costs increasing at a lower rate than originally forecast for 2011. Unfavourable variances have occurred in personnel costs resulting from a number of corporate reorganizations and temporary staffing costs to replace various leaves.

Unfavourable transfers to reserves are directly offset by increases in other revenue, and include encumbrances for both the enterprise resource planning (ERP) system – new financial management software package, and the long-term accommodation plans for Community Services, Public Health and Emergency Medical Services (EMS). The additional year end favourable variance in interfunctional operating recoveries is the result of absorbing $577,635 in one time surplus funds from Public Health to maximize subsidy, and cover the costs of support services provided annually as part of our Service Level Agreement.

Public Works - Statement of Operations

Object of Expenditure Description	Annual Budget	2011 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 19,382,954	$ 19,426,671	$ (43,717)
Administrative Expenses	1,089,086	1,119,471	(30,385)
Materials, Supplies & Utilities	6,003,655	5,930,788	72,867
Repairs & Maintenance	264,375	219,890	44,485
Purch. Serv. & Other Operating Exp.	5,856,064	6,044,526	(188,462)
Financial Expenditures	500,000	0	500,000
Capital Equipment & Renovations	79,909	57,408	22,501
Interfunctional Operating Charges	22,276,349	23,023,739	(747,390)
Interfunctional Operating Recoveries	(10,346,182)	(11,004,472)	658,290
Transfers to Reserves & Reserve Funds	2,149,511	2,366,520	(217,009)
Capital Recoveries	(746,940)	(1,066,273)	319,333
Total Gross Expenditure	**46,508,781**	**46,118,266**	**390,515**
Revenue			
Taxation - Rate	0	(50,249)	50,249
Ontario/Canada Grants	(464,531)	(129,349)	(335,182)
Fees & Service Charges	(2,389,350)	(3,267,239)	877,889
Other Revenue	(365,400)	(489,596)	124,196
Transfers from Reserves & Reserve Funds	(1,950,000)	(1,113,611)	(836,389)
Total Revenue	**(5,169,281)**	**(5,050,044)**	**(119,237)**
Net Expenditure/(Revenue)	**$ 41,339,500**	**$ 41,068,222**	**$ 271,278**

Public Works - Statement of Operations (cont'd)

Community Impacts & Achievements

The Public Works Department (Levy) consists of Transportation Services, Development Services, and Public Works Administration divisions. Achievements of these program areas during 2011 include:

- Continued development of the iDARTS software in support for the growth activity within the Region
- Assumption of all storm sewers of 675 mm diameter or less on Regional roads
- Movement towards smaller and more fuel efficient vehicles in the fleet
- An update to the Regional Tourism Sign Policy
- Continued participation with the Niagara Region Road Safety Committee
- Official opening of the new terminal building for the Niagara District Airport that was constructed through the Infrastructure Stimulus Funding program
- Initiation of the Inter-Municipal Transit pilot project
- Completion of the environmental assessment for the Burgoyne Bridge
- Review of approximately one thousand development, municipal servicing and private sewage system applications

Variance Analysis

The favourable year end position of $271,278 for the levy-supported Public Works department includes $726,000 in additional revenues generated throughout the year. Most notably, the traffic signal maintenance fees generated $938,000 in additional revenues, as did the Development Services division with net favourable revenue of $45,000. These amounts were partially offset by a shortfall in Provincial Gas Tax Revenue of $333,000.

The higher costs incurred early in the year as a result of the heavy winter experienced in the first quarter as well as the April Wind storm event were partially offset by the favourable weather experienced in the fourth quarter. In addition, other cost saving efforts were taken by the Transportation division in the fourth quarter in areas such as consulting services, contracted services (example: asphalt patching), and the purchase of materials. The Development Services division also achieved cost savings of $42,000.

There were $846,000 in additional transfers back to Reserve & Reserve Funds resulting primarily from the Inter-municipal Transit pilot ($346,000) and unutilized bike paths, drainage assessments and storm sewer works funding available to local area municipalities ($500,000). These programs were entirely funded from reserve in 2011, and the transfer back to reserve reflects the unspent funding remaining at 2011 year end.

Water and Wastewater Services - Statement of Operations

Object of Expenditure Description	Annual Budget	2011 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 15,703,019	$ 16,624,032	$ (921,013)
Administrative Expenses	601,807	431,632	170,175
Materials, Supplies & Utilities	13,354,716	13,669,665	(314,949)
Repairs & Maintenance	6,594,069	6,158,147	435,922
Purch. Serv. & Other Operating Exp.	13,260,672	11,658,937	1,601,735
Financial Expenditures	0	3,754,751	(3,754,751)
Capital Equipment & Renovations	117,307	192,681	(75,374)
Interfunctional Operating Charges	15,496,512	15,200,142	296,370
Interfunctional Operating Recoveries	0	(3,050)	3,050
Transfers to Reserves & Reserve Funds	39,237,924	39,873,826	(635,902)
Capital Recoveries	(550,892)	(645,341)	94,449
Total Gross Expenditure	**103,815,134**	**106,915,423**	**(3,100,289)**
Revenue			
Taxation - Rate	(102,442,355)	(102,812,483)	370,128
Ontario/Canada Grants	0	(8,191)	8,191
Fees & Service Charges	(1,086,800)	(1,372,550)	285,750
Other Revenue	(285,979)	(575,541)	289,562
Transfers from Reserves & Reserve Funds	0	(4,259,751)	4,259,751
Total Revenue	**(103,815,134)**	**(109,028,515)**	**5,213,381**
Net Expenditure/(Revenue)	$ -	$ (2,113,092)	$ 2,113,092

Water and Wastewater Services - Statement of Operations (cont'd)

Community Impacts & Achievements

The Water and Wastewater (W&WW) Division is responsible for the operation of the Region's six water plants and 11 wastewater plants, as well as for undertaking master servicing plans, water and wastewater approvals, wastewater laboratory services, environmental monitoring, industrial wastewater management and training. During 2011, some specific initiatives that have either been delivered or for which work has continued include:

- The update to the W&WW Master Plan and Biosolids Management Plan
- Source Water Protection planning in accordance with the Clean Water Act
- An update to the Region's internal benchmarking initiative
- Children's Water Festival and Public Outreach
- Implementation of enhanced document control and system monitoring via Excellence Through Quality (ETQ), Water Trax and Dig Smart
- Accreditation by Canadian General Standards Board as per the Municipal Drinking Water Licensing Program
- Completion of the Infrastructure Stimulus Fund (ISF) Capital Projects

Variance Analysis

The yearend surplus of $2.1 million can be attributed to a combination of additional revenues along with savings in the purchased services budget. This surplus reflects favourable positions in both water services ($1.7 million) and wastewater services ($0.4 million).

Water sales generated an additional $542,000 in revenue as a result of higher than budgeted water flow volumes, while additional revenue from sources such as sewage surcharges ($198,000 surplus), permits ($89,000 surplus) and energy efficiency incentive rebates ($47,000 surplus) were also realized. The favorable position for purchased services ($693,000 for water and $784,000 for wastewater) has resulted largely from savings in contracted maintenance costs as well as a delay in initiating several consulting assignments as a result of vacancies in key staff positions and on-going consultation processes (example: Water & Wastewater Review Task Force). Finally, savings of $671,000 were also realized in repair and maintenance for water services as the provision made for emergency works was not fully utilized.

As previously reported, the 'Financial Expenditures' & 'Transfers from Reserves & Reserve Funds' line items above include offsetting amounts of $3.7 million related to the wastewater reconciliation payments made to local municipalities during 2011.

Waste Management - Statement of Operations

Object of Expenditure Description	Annual Budget	2011 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 3,575,857	$ 3,252,886	$ 322,971
Administrative Expenses	128,494	121,608	6,886
Materials, Supplies & Utilities	2,838,795	5,120,681	(2,281,886)
Repairs & Maintenance	688,684	802,491	(113,807)
Purch. Serv. & Other Operating Exp.	36,505,280	34,274,133	2,231,147
Capital Equipment & Renovations	70,392	55,156	15,236
Interfunctional Operating Charges	5,788,547	5,971,992	(183,445)
Interfunctional Operating Recoveries	(11,360)	(47,752)	36,392
Transfers to Reserves & Reserve Funds	386,823	461,235	(74,412)
Capital Recoveries	(221,185)	(240,458)	19,273
Total Gross Expenditure	**49,750,327**	**49,771,972**	**(21,645)**
Revenue			
Taxation - Rate	(33,923,668)	(33,956,508)	32,840
Ontario/Canada Grants	(3,407,680)	(4,109,628)	701,948
Fees & Service Charges	(2,847,679)	(2,765,670)	(82,009)
Other Revenue	(9,418,688)	(14,090,796)	4,672,108
Transfers from Reserves & Reserve Funds	(152,612)	(633,919)	481,307
Total Revenue	**(49,750,327)**	**(55,556,520)**	**5,806,193**
Net Expenditure/(Revenue)	$ -	$ **(5,784,548)**	$ **5,784,548**

Waste Management - Statement of Operations (cont'd)

Community Impacts & Achievements

In addition to the existing programs provided by the Waste Management division, several new services were launched in 2011 including:

- Collection of both Blue and Grey Box material every week
- Multi-residential recycling
- Designated business area organics program
- Green Bin organics program in Wainfleet and West Lincoln and to six-unit residential buildings across the Region
- New service eligibility criteria for curbside garbage collection service and a garbage limit exemption week for households

Other achievements during 2011 included:

- "Rethink your Waste" promotion and education campaign as part of the new seven year curbside collection contract, which received the Silver Award from the Recycling Council of Ontario in the communications category
- Implementation of Phase 1 of the public space recycling program "Niagara Recycles...on the go"
- Completion of a Waste Management Financing Study and approval by Council of a preferred sustainable financing method for 2012 and future years
- Preparation of the 2011-2015 Blue Box Recycling Plan which is needed to address Municipal Blue Box Best Practices and to help maximize industry stewardship funding
- Utilization of a second shift at the Recycling Centre in order to optimize staff time and achieve further process efficiencies, thereby increasing net revenues
- Issuance of an RFP for the Environmental Assessment for an expansion of the Humberstone Landfill Site

Variance Analysis

The waste management program had a favourable year end variance of $5.78 million due largely to higher than projected processing revenue of $4.2 million. This higher revenue is primarily due to the strong recycling market pricing in 2011 with the highest rates per tonne occurring between January and October. Increased recyclable material tonnages (related to service changes and full year of the Haldimand contract) also factored into the higher gross processing revenue. Other contributors to the overall revenue surplus of $5.8 million included Waste Diversion Ontario funding ($580,000 surplus) and garbage tag sales ($251,000 surplus).

Associated with the additional revenue generated in 2011 was a cost increase of $2.1 million in materials purchased from the commercial sector, Haldimand County, and Waterloo for resale at a higher price (increasing net revenue). Cost savings were realized in a number of other areas, however, offsetting the higher material and supply cost. These savings include $2.2 million in purchased services due in part to a cost reduction in the Walker waste and organics contracts due to lower tonnages, deferrals such as the Computerized Maintenance Management System (CMMS) implementation and portions of the contracted services for excavating, grading and stockpiling of soil, as well as the replacement of the Long Term Strategic Plan with smaller assignments.

Integrated Community Planning Department - Statement of Operations

Object of Expenditure Description	Annual Budget	2011 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 4,489,798	$ 4,741,810	$ (252,012)
Administrative Expenses	169,714	301,665	(131,951)
Materials, Supplies & Utilities	286,968	241,495	45,473
Repairs & Maintenance	52,950	65,065	(12,115)
Purch. Serv. & Other Operating Exp.	2,117,994	1,164,454	953,540
Financial Expenditures	750,000	525,937	224,063
Capital Equipment & Renovations	13,700	20,437	(6,737)
Interfunctional Operating Charges	347,214	685,024	(337,810)
Interfunctional Operating Recoveries	(842,731)	(1,190,448)	347,717
Transfers to Reserves & Reserve Funds	0	992,671	(992,671)
Capital Recoveries	0	(3,598)	3,598
Total Gross Expenditure	**7,385,607**	**7,544,511**	**(158,904)**
Revenue			
Ontario/Canada Grants	(55,000)	(99,603)	44,603
Fees & Service Charges	(98,456)	(56,726)	(41,730)
Other Revenue	(26,000)	(171,024)	145,024
Transfers from Reserves & Reserve Funds	(710,582)	(939,054)	228,472
Total Revenue	**(890,038)**	**(1,266,408)**	**376,370**
Net Expenditure/(Revenue)	**$ 6,495,569**	**$ 6,278,103**	**$ 217,466**

Integrated Community Planning Department - Statement of Operations (cont'd)

Community Impacts & Achievements

Mission - Integrated Community Planning supports effective decision-making based on meaningful engagement, research, planning and focused actions to deliver responsible public policy, resulting in good governance for Niagara. Our mission reflects our role as supporting the achievement of Council Business Plan Objectives.

Achievements in 2011 included:

- Niagara region being designated as the Culture Capital of Canada jointly with Calgary
- hosting a successful Great Lakes Cities Initiatives Conference
- approval of three full local Official Plans and five major Amendments
- leadership in the Economic Development review and transition
- provision of legislative support to Council and various Advisory Committees
- providing accessibility services in compliance with Accessibility for Ontarians Disability Act (AODA) legislation
- In-house savings and efficiencies through creative services and coloured printing capabilities
- supporting brand awareness through production of various corporate publications
- supporting community engagement activities
- responding to crisis through emergency preparedness and crisis communications services
- Leading significant community planning initiatives such as Culture Plan Implementation, Gateway Economic Zone and Centre, Welland Canals Heritage Designation, Sustainable Niagara, Human Services Planning, Development Charges Policy and Water Smart initiatives

A more comprehensive listing can be found through the department workplan ICP 1-2011.

Variance Analysis

ICP yearend variance largely relates to the timing of reserve transfers for initiatives such as the Culture Capital of Canada (announced late in the fall), and the focus on the local Official Plan Amendments and Approvals.
Personnel Costs variance is related to temporary project resources funded through reserves and reserve funds such as the Welland Canal Designation, Culture Plan implementation and local Official Plan reviews. Administrative Expense variance is related to expenses linked to the Great Lakes Conference - off-setting revenue is noted in the Other Revenue line. Materials, Supplies and Utilities shows a positive variance related to lower postage and printing costs than expected. Purchased Services & Other Operating Expense shows a variance which is due to the timing of Culture Capital Canada announcement, Development Charges Policy update and the prioritization of Official Plan work that will carry into 2012. The off-setting entry for this is captured under Transfer to Reserve.

Community Services - Statement of Operations

Object of Expenditure Description	Annual Budget	2011 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 78,920,998	$ 79,860,709	$ (939,711)
Administrative Expenses	1,175,262	1,125,130	50,132
Materials, Supplies & Utilities	7,008,070	7,591,454	(583,384)
Repairs & Maintenance	755,257	982,801	(227,544)
Purch. Serv. & Other Operating Exp.	31,832,463	34,417,049	(2,584,586)
Social Assistance	96,419,970	92,684,656	3,735,314
Financial Expenditures	17,905	44,440	(26,535)
Capital Equipment & Renovations	482,083	586,839	(104,756)
Interfunctional Operating Charges	11,698,219	11,866,881	(168,662)
Interfunctional Operating Recoveries	(7,315,438)	(7,176,700)	(138,738)
Transfers to Reserves & Reserve Funds	410,260	468,393	(58,133)
External Recoveries	(2,108,851)	(2,695,046)	586,195
Total Gross Expenditure	**219,296,198**	**219,756,606**	**(460,408)**
Revenue			
Ontario/Canada Grants	(157,863,400)	(157,576,358)	(287,042)
Fees & Service Charges	(22,002,325)	(22,747,163)	744,838
Other Revenue	(390,829)	(1,137,283)	746,454
Transfers from Reserves & Reserve Funds	(1,493,074)	(151,923)	(1,341,151)
Total Revenue	**(181,749,628)**	**(181,612,727)**	**(136,901)**
Net Expenditure/(Revenue)	**$ 37,546,570**	**$ 38,143,879**	**$ (597,309)**

Community Services - Statement of Operations (cont'd)

Community Impacts & Achievements

Seniors Services continues to operate 957 accredited long term care beds in eight homes throughout the Region. In 2011, Senior Services provided services to an estimated 4,000 clients through its Seniors Community Programs aimed at supporting independent living for seniors in Niagara.

Social Assistance and Employment Opportunities continued to deliver quality and cost effective services in 2011 despite the ongoing impact of the poor economy and rising Ontario works caseloads. Caseload is 5.23 per cent greater in 2011 over the 2010 level, resulting in a cumulative caseload growth of 38 per cent since 2008. An estimated 34,414 individuals received service from Social Assistance offices in 2011.

Children's Services continues to work to ensure a stable childcare system in Niagara, despite the challenges of recruiting and retaining registered childcare educators in Niagara Region. In 2011, services were provided to an estimated 5,000 children in Niagara through five directly operated childcares and more than 149 contracted service providers. The need for fee subsidy continues to grow, and in 2011 applications increased by 3.7 per cent, with 4,861 children in receipt of subsides for their care. In addition, Children's Services contracts with community agencies to provide special needs and family resource centres serving an estimated 6,700 children in Niagara.

Variance Analysis

Community Services finished the year with a deficit of $597,000, representing 0.27 per cent of the gross expenditures and 1.6 per cent of the net expenditures. Included in this amount is $165,000 which is the result of a change in accounting practice to accrue utility expenses which represents 27.6 per cent of the departmental deficit.

Seniors Services completed the year with a deficit of $320,000; almost half of which is a result of the change in accounting practice ($156,000). The remaining 51.3 per cent is largely the result of increased food costs, rising WSIB charges and maintenance in the homes as indicated in the third quarter reporting, along with the variance between actual and budgeted payroll related costs. In response, in 2012 Seniors Services is reviewing food costs, continues to partner with Human Resources on the Road to Zero initiative to manage Corporate WSIB costs and during the 2012 budget process worked to address the payroll related costs variance.

Social Assistance and Employment Opportunities (SAEO) does not have a variance. Recoveries by SAEO from other agencies (such as EI, CPP, clients and family supports) resulted in a surplus for recoveries of $586,000. Ontario Works claims experience was less than forecasted. All budgeted reserve transfers to fund Ontario Works were not required, resulting in transfers from reserves being underspent. As a result, $1.3 million in unutilized transfers were returned to the reserve.

Children's Services experienced a deficit of $261,000, or 4.3per cent which is the result of increased demand for fee subsidy and child care for Ontario Works participants as a result of the ongoing caseload growth. It is anticipated that this level of demand will not decline for 2012 and as a result Children's Services is implementing a waitlist for fee subsidy to manage this program within budget for 2012.

Public Health - Statement of Operations

Object of Expenditure Description	Annual Budget	2011 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 28,824,223	$ 27,841,601	$ 982,622
Administrative Expenses	1,059,913	1,152,428	(92,515)
Materials, Supplies & Utilities	1,097,051	815,534	281,517
Repairs & Maintenance	82,212	50,081	32,131
Purch. Serv. & Other Operating Exp.	2,779,487	2,711,840	67,647
Financial Expenditures	355,000	355,000	0
Capital Equipment & Renovations	320,106	678,705	(358,599)
Interfunctional Operating Charges	2,423,189	3,438,243	(1,015,054)
Interfunctional Operating Recoveries	(189,962)	(223,030)	33,068
Total Gross Expenditure	**36,751,219**	**36,820,403**	**(69,184)**
Revenue			
Ontario/Canada Grants	0	(19,948)	19,948
Ontario/Canada Grants	(29,092,980)	(29,163,778)	70,798
Fees & Service Charges	(158,125)	(192,506)	34,381
Other Revenue	(613,233)	(1,385,665)	772,432
Total Revenue	**(29,864,338)**	**(30,761,897)**	**897,559**
Net Expenditure/(Revenue)	**$ 6,886,881**	**$ 6,058,505**	**$ 828,376**

Public Health - Statement of Operations (cont'd)

Community Impacts & Achievements

• The Vacancy Management Process that was implemented in 2011 has contributed to both vacant staff positions and/or delays in refilling positions. This has partly contributed to the year end surplus in personnel costs of $982,622, attributed to reduced salary costs and corresponding payroll related costs. Despite Public Health efforts to mitigate service disruptions, some program areas have experienced program cancellations, delays or extended waitlists for service. It is hoped that the changes to the Vacancy Management Process will ameliorate the service disruptions in 2012.
• The creation of the Niagara Health Trust, lead by Public Health, created a forum for dialogue and problem solving of health issues in Niagara.
• In 2011, Niagara Region Public Health supported local hospitals through C difficile outbreaks by providing infection prevention and control guidance, consultation and linkages to experts at Public Health Ontario and the Public Health Agency of Canada.
• Niagara Region Public Health, District School Board of Niagara, Niagara Catholic District School Board, Niagara Sport Commission and Public Health Ontario partnered to bring Sparking Life Niagara to two Niagara classrooms. Students participate in 20 minutes of physical activity every morning to improve physical activity, mental health and academic achievement. Results of the evaluation are forthcoming in 2012.
• Mental Health was awarded enhanced funding to implement Telemedicine Services in Niagara (to provide local residents with enhanced access to mental health and geriatric specialists). They were also awarded enhanced funding for Early Intervention in Psychosis services.
• Public health provided 5,500 flu shots to Niagara residents compared to 3,776 for the same time period last year.
• Improvements to the Travel Clinic, implemented in October, have already reduced the wait time by almost two weeks.
• In the Food Safety program, 100 per cent compliance with Ministry standards was achieved (6,433 routine inspections, 1,745 re-inspections, 10,500 infractions identified, 44 tickets, 29 orders, 18 closures). The number of attendees at food handler education classes continues to grow and 1,763 individuals became certified food handlers in 2011.
• A bed bug awareness campaign was very successful and provided education and support to a vulnerable portion of the local population.
• Agreement with local vets permitted introduction of rabies vaccination vouchers for pets of lower income individuals in Niagara Region.
• The Niagara Injury Prevention and Substance Misuse Community Forum, hosted 40 community agencies from across the Region. Working groups regarding distracted driving, binge drinking, and suicide prevention stemmed from the forum, and are actively working towards community education and programming.
• In November 2011, 100 people attended an Active Transportation Summit to explore ways to make walking and cycling more accessible to more Niagara residents more often. All 12 municipalities were represented. Participants included staff from health, planning and engineering, elected officials and concerned citizens who love cycling and walking and care about our communities.

Variance Analysis

The 2011 ministry approved public health budget included unanticipated funding increases in several programs. As a result, there are surpluses in several of the expenditure lines most notably personnel costs. Also contributing to the surplus in personnel costs are collective bargaining increases included in the budget that were not expensed in 2011 since collective bargaining concluded in early 2012.

The higher then budget Interfunctional Operating Charges is a result of the Public Health department being charged for Corporate Services support costs in accordance with the new service level agreement. The increased Other Revenue compared to budget is the result of carry forward revenues from the prior year in self funded programs which include Sexual Health Oral Contraceptives, Travel Health, Reproductive Health - Labour & Delivery and the Road Safety program. Also reflected in the overall surplus are funding for the Vector Borne Disease program,the CINOT Expansion program and the Healthy Smiles Ontario program, which will be sent back to the ministry.

Niagara Region Emergency Medical Services - Statement of Operations

Object of Expenditure Description	Annual Budget	2011 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 28,422,434	$ 27,980,110	$ 442,324
Administrative Expenses	205,750	168,077	37,673
Materials, Supplies & Utilities	1,994,938	1,902,078	92,860
Repairs & Maintenance	729,500	737,465	(7,965)
Purch. Serv. & Other Operating Exp.	1,637,839	1,135,517	502,322
Capital Equipment & Renovations	432,221	756,058	(323,837)
Interfunctional Operating Charges	2,374,991	2,694,783	(319,792)
Transfers to Reserves & Reserve Funds	1,283,212	3,237,870	(1,954,658)
Total Gross Expenditure	**37,080,885**	**38,611,958**	**(1,531,073)**
Revenue			
Ontario/Canada Grants	(20,416,035)	(21,667,597)	1,251,562
Fees & Service Charges	0	(3,061)	3,061
Other Revenue	(20,000)	(227,212)	207,212
Transfers from Reserves & Reserve Funds	(234,800)	(234,800)	0
Total Revenue	**(20,670,835)**	**(22,132,670)**	**1,461,835**
Net Expenditure/(Revenue)	**$ 16,410,050**	**$ 16,479,288**	**$ (69,238)**

Community Impacts & Achievements

Niagara Emergency Medical Services (NEMS) completed 78,434 (2 per cent increase) calls in 2011 and continues to face challeneges in maintaining service levels, particularly due to the current level of offload delays (2010 and 2011 represent the highest level of offloads over the last fiveyears). NEMS continues to monitor and respond to community and service demands to ensure appropriate service levels are maintained. NEMS continues to meet all current legislative standards (2010 Ambulance Service Review). NEMS management are participating in the offload oversight committee with the Niagara Health System (NHS). Continued uncertainty related to ongoing MOHLTC off-load nurse funding. The service continued to increase the number of Advanced Care Paramedics, moving us toward the council approved target (65 per cent), to ensure quality service to Niagara.

Variance Analysis

The unfavourable variance within interfunctional operating charges is due to increase costs related to WSIB payouts which occurred early in 2011. NEMS continues to work with Human Resources on the road to zero campaign to mitigate these costs in the future. Another fiscal challenge for NEMS in 2011 was related to the inquest which ended in December 2011. Legal costs for the inquest were in excess of $400,000. The $1.9 million transfer to reserve was related to surplus from ambulance dispatch operations over the five year pilot as a result of efficiencies generated during the five year fixed price contract. These funds must be used to improve Niagara Ambulance Communication Services (PHD 02-2012).

Police Services & Board - Statement of Operations

Object of Expenditure Description	Annual Budget	2011 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 116,724,875	$ 119,997,067	$ (3,272,192)
Administrative Expenses	1,904,579	1,482,131	422,448
Materials, Supplies & Utilities	4,648,793	4,399,591	249,202
Repairs & Maintenance	2,059,533	1,807,683	251,850
Purch. Serv. & Other Operating Exp.	3,240,388	3,334,847	(94,459)
Financial Expenditures	5,000	4,039	961
Capital Equipment & Renovations	679,837	315,919	363,918
Interfunctional Operating Charges	9,194,107	9,148,910	45,197
Interfunctional Operating Recoveries	(1,110,181)	(1,124,691)	14,510
Transfers to Reserves & Reserve Funds	3,366,000	3,366,000	0
Capital Recoveries	0	(13,032)	13,032
Total Gross Expenditure	**140,712,931**	**142,718,463**	**(2,005,532)**
Revenue			
Ontario/Canada Grants	(3,695,561)	(3,540,734)	(154,827)
Fees & Service Charges	(6,397,271)	(7,010,662)	613,391
Other Revenue	(1,293,166)	(1,368,533)	75,367
Transfers from Reserves & Reserve Funds	(2,267,910)	(2,267,910)	0
Total Revenue	**(13,653,908)**	**(14,187,839)**	**533,931**
Net Expenditure/(Revenue)	**$ 127,059,023**	**$ 128,530,624**	**$ (1,471,601)**

Community Impacts & Achievements

Detailed report to be submitted and received by the Police Service Board at their February monthly public meeting.

Variance Analysis

Full details are available in the Service Report to the Police Service Board to be submitted and received by the Board in February 2012. A copy will be forwarded to the Region by the Police Service Board.

Provincial Offenses Act - Statement of Operations

Object of Expenditure Description	Annual Budget	2011 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 1,668,713	$ 1,739,421	$ (70,708)
Administrative Expenses	35,467	28,874	6,593
Materials, Supplies & Utilities	101,617	81,392	20,225
Repairs & Maintenance	3,325	1,575	1,750
Purch. Serv. & Other Operating Exp.	3,515,547	4,650,908	(1,135,361)
Financial Expenditures	120,000	66,676	53,324
Capital Equipment & Renovations	29,666	31,004	(1,338)
Interfunctional Operating Charges	604,808	605,477	(669)
Interfunctional Operating Recoveries	0	(7,615)	7,615
Transfers to Reserves & Reserve Funds	500,000	500,000	0
Total Gross Expenditure	**6,579,143**	**7,697,712**	**(1,118,569)**
Revenue			
Other Revenue	(7,533,309)	(9,322,372)	1,789,063
Total Revenue	**(7,533,309)**	**(9,322,372)**	**1,789,063**
Net Expenditure/(Revenue)	**$ (954,166)**	**$ (1,624,661)**	**$ 670,495**

Community Impacts & Achievements

Operating expenditures are a direct result of increasing demands for service placed on the court system. Additional costs were incurred in 2011 as staff prepared for the March 2012 introduction of the early resolution option through initiation of a pilot project relating to the centralization of disclosure.
The consultant's report on the proposed amalgamation of POA facilities in Niagara was completed and presented to Regional Council in Q3. The direction resulting from those presentations to council has resulted in ongoing research in Q4 for further recommendations to come forward in 2012.
Tickets filed in 2011 represent record-highs, continuing the escalation of charges and surpassing all prior year numbers. At the end of the fourth quarter, trials were being scheduled for September/October of 2012, a nine month scheduling delay.

Variance Analysis

Operating expenditures are a direct result of increasing demands for service placed on the court system arising from:
- Increased levels of enforcement
- Increased use of labour pool staff to assist in providing service to the public
- Staffing of a pilot project relating to centralization of disclosure
- Increased payments made to the Province

Notwithstanding the increase in operating expenditures (primarily arising from personnel costs in the use of labour pool staff and additional payments made to the Province), there remains an (unaudited) year end surplus of $670,495.

Special Initiatives/Joint Initiatives - Statement of Operations

Object of Expenditure Description	Annual Budget	2011 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Financial Expenditures	$ 184,350	$ 7,265,000	$ (7,080,650)
Transfers to Reserves & Reserve Funds	1,150,000	1,150,000	0
Total Gross Expenditure	**1,334,350**	**8,415,000**	**(7,080,650)**
Revenue			
Transfers from Reserves & Reserve Funds	(95,000)	(7,180,000)	7,085,000
Total Revenue	**(95,000)**	**(7,180,000)**	**7,085,000**
Net Expenditure/(Revenue)	**$ 1,239,350**	**$ 1,235,000**	**$ 4,350**

Community Impacts & Achievements

The Region has contributed $7.25 million to special initiatives ($1.0 million to Brock BioScience, $550,000 thousand to Niagara College and $5.63 million for the Cancer Care Ontario Centre). These contributions were fully funded from reserves and approved by Council. The remaining $70,000 allocated to PanAm Games was approved by Council through the 2011 budget approval. The full current multi-year commitment for both Brock BioScience and Niagara College has been paid.

The Region transferred $1.0 million to the Hospital Contribution Reserve and $150,000 to the Brock Bio Science Reserve as planned.

Variance Analysis

The variance of $4,350 relates to grants less then budgeted.

Niagara Regional Housing - Statement of Operations

Object of Expenditure Description	Annual Budget	2011 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 3,556,847	$ 3,773,511	$ (216,664)
Administrative Expenses	195,553	186,774	8,779
Materials, Supplies & Utilities	4,874,296	4,772,171	102,125
Repairs & Maintenance	3,593,200	3,642,298	(49,098)
Purch. Serv. & Other Operating Exp.	4,392,531	4,450,020	(57,489)
Financial Expenditures	2,967,338	3,128,459	(161,121)
Capital Equipment & Renovations	30,000	29,191	809
Interfunctional Operating Charges	2,156,519	2,145,355	11,164
NRH Housing Provider Subsidy & Supplement	26,492,642	34,385,220	(7,892,578)
Transfers to Reserves & Reserve Funds	364,016	521,240	(157,224)
Capital Recoveries	0	(21,263)	21,263
Total Gross Expenditure	**48,622,942**	**57,012,975**	**(8,390,033)**
Revenue			
Ontario/Canada Grants	0	(8,177,873)	8,177,873
Other Revenue	(22,154,877)	(22,648,486)	493,609
Transfers from Reserves & Reserve Funds	(700,000)	(616,003)	(83,997)
Total Revenue	**(22,854,877)**	**(31,442,362)**	**8,587,485**
Net Expenditure/(Revenue)	**$ 25,768,065**	**$ 25,570,614**	**$ 197,451**

Niagara Regional Housing - Statement of Operations (cont'd)

Community Impacts & Achievements

Owned Units

Niagara Regional Housing (NRH) is responsible for the property and asset management of an owned portfolio of 2,636 units including 35 apartment buildings and over 850 townhouses/houses. These units are home to over 6,500 people. This portfolio represents 35 per cent of the operating budget for building related expenses – maintenance, taxes, utilities etc. In 2011, there were 245 new households in this portfolio.

Rental Subsidy Programs – Housing Providers and Rent Supplement

Through rental subsidy programs an additional 5,000 units of affordable housing are available. The subsidies account for 54 per cent of the operating budget. With an oversight role, NRH provides subsidy to 67 Non-profit and Co-operative Housing providers who provide over 4,000 units and are responsible for operating in accordance with legislative requirements. Under the Rent Supplement program private landlords make units available to applicants on the wait list. A total of 422 households were accommodated under these programs in 2011.

Affordable Housing Waiting List

NRH maintains the affordable housing waiting list for the Region. The demand for housing continues to increase with a 24 per cent increase over the past three years.

Social Housing Rehabilitation and Retrofit Program

Through the provision of Federal and Provincial funds of $17 million, over 200 capital jobs have been identified in the housing provider and owned unit portfolio. This program is now in its last year with over 98 per cent completion rate. The remaining jobs are scheduled for completion by the provincial deadline of March 31, 2012.

Variance Analysis

NRH realized a slight surplus at the 2011 year end of $197,451 or less than 0.5 per cent of total expenditures.

Personnel Costs - ($216,664) and Ontario/Canada Grants

The majority of the overexpenditure under personnel costs is due to benefit costs which exceeded the regional guidelines. This was a known pressure going into 2011. The balance of the over expenditure was offset through the use of the Ontario/Canada Grants for administration of programs.

Materials, Supplies and Utilities - $102,125

NRH realized a savings in utilities due to more favourable weather conditions during 2011 which offset the over expenditure in taxes. Property tax assessments for the owned units are higher than the regional average. This was a known pressure going into 2011.

Repairs and Maintenance - ($49,098); Transfer to Reserves ($157,224) and Purchasing Services ($57,489)

The unfavourable variance in Repairs and Maintenance ($49,098) combined with Purchasing Services ($57,489) and an encumbrance for repairs ($151,190) under the transfer to Reserves is directly attributable to increased costs for required repairs to the owned units. The budget amount in the 2011 allocated in the budget for repairs continues to be insufficient even though repair costs are steadily increasing. This was a known pressure going into the 2011 budget. Favourable tenant revenue has offset the over expenditure.

Financial Expenditures ($161,121) and Transfer from Reserves ($83,997)

The over expenditure in this category is primarily due to Bad Debt Expense from former tenant rent arrears that have not been paid back to NRH. Collection efforts to regain these funds have been unsuccessful in the current economic environment. Other smaller over expenditures in this category were offset by prior year encumbrances. See Transfer from Reserves and Reserve Funds.

NRH Housing Provider Subsidy and Supplement ($7,892,578)

The unfavourable variance is due to the Social Housing and Retrofit program which is offset by the revenue shown under Ontario/Canada Grants.

General Government - Statement of Operations

Object of Expenditure Description	Annual Budget	2011 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 2,000,205	$ 2,946,232	$ (946,027)
Administrative Expenses	79,565	93,662	(14,097)
Materials, Supplies & Utilities	34,400	29,125	5,275
Purch. Serv. & Other Operating Exp.	5,977,406	6,000,341	(22,935)
Financial Expenditures	84,420,214	82,975,629	1,444,585
Interfunctional Operating Charges	1,111,221	1,112,133	(912)
Interfunctional Operating Recoveries	(47,715,698)	(48,041,092)	325,394
Transfers to Reserves & Reserve Funds	11,654,638	19,389,359	(7,734,721)
External Recoveries	(33,570,108)	(33,648,502)	78,394
Total Gross Expenditure	**23,991,843**	**30,856,887**	**(6,865,044)**
Revenue			
Taxation - Levy	(300,530,189)	(299,331,886)	(1,198,303)
Ontario/Canada Grants	(200,000)	(5,174,900)	4,974,900
Fees & Service Charges	(15,130)	(34,091)	18,961
Other Revenue	(10,490,031)	(15,143,676)	4,653,645
Transfers from Reserves & Reserve Funds	(2,976,664)	(3,067,848)	91,184
Total Revenue	**(314,212,014)**	**(322,752,401)**	**8,540,387**
Net Expenditure/(Revenue)	**$ (290,220,171)**	**$ (291,895,514)**	**$ 1,675,343**

General Government - Statement of Operations (cont'd)

Community Impacts & Achievements

Although there were variances within certain categories, the final aggregate 2011 tax revenue and expenses position was equal to budget.

- General tax levy revenue was $1.4 million more then budgetted
- Supplemental tax revenue was $1.5 million less then budgetted
- Payments-in-lieu of tax revenue was $1.2 million less then budgetted
- Tax write-off expense was $1.1 million less then budgetted
- Rebate expense was $0.2 million more then budgetted

Variance Analysis

The majority of the favourable year to date variance is a result of increased investment income, included in other revenue, (see investment report for further details on page 42). Investment income of $1.2 million was allocated to specific reserve funds in 2011 as described in CSD 04-2012. The Ontario Municipalities Partnership Fund (OMPF) grant received of $5.2 million included within Ontario/Canada Grants was transferred to a Taxpayer Relief reserve.

Increased personnel costs for the year are a result of higher then planned termination/early sick leave payouts and benefits for retirees and employees on leave. As well as increased WSIB costs which are offset in the favourable interfunctional operating recoveries as these are charges to the individual departments.

Favourable financial expenditures are mainly a result of favourable tax write-off's, the timing of processing of debt related charges, and no debt issue costs in 2011.

Favourable investment income is partially offset by the unfavourable transfer to reserves for the allocation of investment income to reserves and the establishing of an investment income stabilization reserve (CSD 187-2011). In the 2011 budget this transfer was budgeted net against investment income but in 2012 will be budgeted gross to reflect full investment income.

Unfavourable taxation revenue is a result of lower than budgetted payments-in-lieu and supplemental taxes.

Niagara Economic Development Corporation (NEDC) Grant

Object of Expenditure Description	Annual Budget	2011 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Purch. Serv. & Other Operating Exp.	$ 1,896,128	$ 1,896,423	$ (295)
Interfunctional Operating Charges	0	201	(201)
Transfers to Reserves & Reserve Funds	0	95,000	(95,000)
Total Gross Expenditure	**1,896,128**	**1,991,624**	**(95,496)**
Revenue			
Other Revenue	0	(95,000)	95,000
Total Revenue	**0**	**(95,000)**	**95,000**
Net Expenditure/(Revenue)	**$ 1,896,128**	**$ 1,896,624**	**$ (496)**

Community Impacts & Achievements

NEDC is a separate corporation that receives funding from the Niagara Region. The above summary shows the grant the Niagara Region provides NEDC. This summary does not show NEDC's operating results.

Year to date NEDC has received their full annual funding.

At the October 27, 2011 Council, report EDTF 2-2011 was approved to move the Niagara Region to a new economic development model.

Variance Analysis

In 2010 the Niagara Region funded NEDC $95,000 with the intent that they would provide Niagara College with a grant. The terms of the agreement with Niagara College were solidified in 2011 which resulted in the Niagara Region funding the college instead of NEDC. As a result, NEDC has returned the 2010 funding back to the Region showing as revenue above. Since these funds were initially ear marked for Niagara College, they were transferred to the Niagara College Reserve. This reserve is left with an $85,000 balance (see page 33) after paying the Niagara College funding commitment. A report will be issued in 2012 to repurpose these funds to the contingency reserve or as directed by Council.

Niagara Peninsula Conservation Authority (NPCA) Grant

Object of Expenditure Description	Annual Budget	2011 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Financial Expenditures	$ 5,171,816	$ 5,156,686	$ 15,130
Total Gross Expenditure	**5,171,816**	**5,156,686**	**15,130**
Revenue			
Transfers from Reserves & Reserve Funds	(300,000)	(300,000)	0
Total Revenue	**(300,000)**	**(300,000)**	**0**
Net Expenditure/(Revenue)	**$ 4,871,816**	**$ 4,856,686**	**$ 15,130**

Community Impacts & Achievements

NPCA is a separate corporation that receives funding from the Niagara Region. The above summary show the grant the Niagara Region provides the NPCA and not their operating results.

The Region has provided NPCA the full amount of their approved annual funding.

In addition to the operating grant identified above, the Niagara Region also provided NPCA with a $1.5 million capital grant in 2011. The 2012 budget combines the capital and operating grant.

Variance Analysis

Year to date NPCA has received three quarters of their annual funding as planned with the exception of $15 thousand which was intended to fund debt issue costs. Since there was no debt issue in 2011, the portion of the grant intended to cover these costs was returned to the Region.

In 2011, NPCA requested $300 thousand in funding for water related activities and this was provided through the water reserves.

Reserve Summary

Description	Balances at December 31, 2010	2011 Net Transfers from/(to) Operating	2011 Capital Transfers	2011 Yearend Transfers	Balances at December 31, 2011	Capital Commitments *	Balance Available at December 31, 2011
Ambulance Communication	$ -	$ 1,947,261	$ -	$ -	$ 1,947,261	$ -	$ 1,947,261
Chemical, Biological, Radiological, Nuclear (CBRN)							
Emergency Response Team	149,541	52,397	-	-	201,938	-	201,938
Ambulance Replacement	552,505	521,177	(725,000)	-	348,682	-	348,682
New Affordable Housing Development Initiative	7,415,574	2,022,116	-	-	9,437,690	-	9,437,690
Emergency capital funding for housing	1,924,871	(1,924,871)	-	-	-	-	-
Fleet Equipment Replacement	5,561,270	1,933,646	(1,123,783)	-	6,371,133	-	6,371,133
Police Equipment Replacement	144,518	1,841,684	(1,773,611)	-	212,591	-	212,591
Print Shop Equipment	190,111	(190,111)	-	-	-	-	-
Welland Canal Crossings	141,342	353	-	-	141,695	-	141,695
NRH Owned Units	3,841,326	372,692	(739,196)	197,451	3,672,273	-	3,672,273
Niagara Transportation Superbuild	429,929	(429,929)	-	-	-	-	-
PW Field Admin. Equip. Replacement	466,931	100,426	(467,605)	-	99,752	-	99,752
Sign Shop Equip. Replacement	65,537	(20,537)	(45,000)	-	-	-	-
Director Engineering Equip Replacement	53,199	(0)	(53,199)	-	-	-	-
Senior Services Capital	3,187,994	463,498	(781,000)	-	2,870,492	-	2,870,492
Waterfront and Related Capital Projects	224,496	(224,496)	-	-	-	-	-
Public Health	-	-	-	538,742	538,742	-	538,742
Police Emergency Preparedness	50,000	-	-	-	50,000	-	50,000
Police Surplus	336,664	(336,664)	-	-	-	-	-
Fire Co-ordinator	75,874	13,145	-	-	89,019	-	89,019
Building Standards	129,196	-	(129,196)	-	-	-	-
Police Building Standards	1,669	(1,669)	-	-	-	-	-
Community Services Buildings	75,309	11,973	-	-	87,282	-	87,282
POA Facility Renewal	1,194,058	500,000	-	-	1,694,058	-	1,694,058
General Property Acquisition	849,025	150,975	(1,000,000)	-	-	-	-
Mapping Infrastructure System	113,202	0	(113,202)	-	-	-	-
Police Capital Levy	1,308,186	1,300,000	(1,495,483)	-	1,112,703	(200,000)	912,703
General Capital Levy	13,203,807	12,215,035	(17,713,646)	-	7,705,196	(1,065,953)	6,639,243
Public Health Vehicles & Equipment	366,040	-	-	-	366,040	-	366,040
Police Ontario Police Viedo Training Alliance Reserve	31,250	-	-	-	31,250	-	31,250
Specialized Transit Equipment	186,195	100,000	-	-	286,195	-	286,195
Total Levy Supported Capital	**42,269,620**	**20,418,103**	**(26,159,921)**	**736,193**	**37,263,994**	**(1,265,953)**	**35,998,041**

* Capital commitments represent previously approved capital budget items that have not yet been initiated.

Reserve Summary (cont'd)

Description	Balances at December 31, 2010	2011 Net Transfers from/(to) Operating	2011 Capital Transfers	2011 Yearend Transfers	Balances at December 31, 2011	Capital Commitments *	Balance Available at December 31, 2011
NRH Rent Supplement	1,427,509	(537,394)	-	-	890,115	-	890,115
Investment Income Stabilization	-	1,003,287	-	-	1,003,287	-	1,003,287
Social Assistance	8,621,850	(132,390)	-	-	8,489,459	-	8,489,459
Childrens Services	698,594	1,746	-	-	700,341	-	700,341
Health Unit Wallington	44,666	112	-	-	44,778	-	44,778
Year End Transfer	2,500,000	(2,500,000)	-	2,836,664	2,836,664	-	2,836,664
Communication Strategy	40,000	(40,000)	-	-	-	-	-
Public Health Environmental Health	97,319	(97,319)	-	-	-	-	-
Telecommunications	193,086	(193,086)	-	-	-	-	-
Police Contingency	364,880	1,669	-	69,480	436,029	-	436,029
Contingency	8,285,566	(1,241,841)	-	100,000	7,143,725	-	7,143,725
Improvement Initiatives	81,056	416,093	-	-	497,149	-	497,149
Police Services Board Contingency	130,154	-	-	-	130,154	-	130,154
Fuel Stabilization	250,000	(250,000)	-	-	-	-	-
Taxpayer Relief	-	5,174,900	-	-	5,174,900	-	5,174,900
Total Stabilization Reserves	**22,734,680**	**1,605,777**	**-**	**3,006,144**	**27,346,601**	**-**	**27,346,601**
Police Accumulated Sick	5,114,181	(237,840)	-	(350,000)	4,526,341	-	4,526,341
Regional OMERS	13,020	33	-	-	13,052	-	13,052
Future Benefit Cost	2,349,575	5,874	-	-	2,355,449	-	2,355,449
WSIB	14,121,022	2,008	-	-	14,123,030	-	14,123,030
Accumulated Sick Leave	3,116,831	(132,396)	-	-	2,984,434	-	2,984,434
Unrecorded Liabilities Public Sector Accounting Board	6,762,286	16,906	-	-	6,779,192	-	6,779,192
Employee future benefits - NRH	875,679	(71,705)	-	-	803,974	-	803,974
Police Future Benefits	1,111,848	3,889	-	-	1,115,738	-	1,115,738
Police WSIB	1,989,055	230,535	-	-	2,219,590	-	2,219,590
Police OMERS	1,109	(1,109)	-	-	-	-	-
Sub-total Employee Benefit Liabilities **	35,454,606	(183,807)	-	(350,000)	34,920,800	-	34,920,800
Tax Write off Stabilization	5,000,000	-	-	-	5,000,000	-	5,000,000
Self Insurance	2,507,515	6,269	-	-	2,513,784	-	2,513,784
Land Ambulance Severance	3,741,199	470,067	-	-	4,211,266	-	4,211,266
Total Liabilities	**46,703,320**	**292,529**	**-**	**(350,000)**	**46,645,850**	**-**	**46,645,850**

* Capital commitments represent previously approved capital budget items that have not yet been initiated.

** At December 31, 2011 unfunded employee future benefit liabilities (including vacation and lieu liabilities) were $82,658,977 (Reserves = $35,270,800 before yearend transfers; $34,920,800 after yearend transfers).

Reserve Summary (cont'd)

Description	Balances at December 31, 2010	2011 Net Transfers from/(to) Operating	2011 Capital Transfers	2011 Yearend Transfers	Balances at December 31, 2011	Capital Commitments *	Balance Available at December 31, 2011
Brock BioScience	1,000,000	(1,000,000)	-	-	-	-	-
Culture Capital of Canada	374,000	(374,000)	-	-	-	-	-
Niagara College Commitment	445,000	(360,000)	-	-	85,000	-	85,000
Circle Route Initiatives	-	224,496	1,258,185	-	1,482,681	-	1,482,681
Corporate Employee Recognition Team (CERT)	411,059	-	-	-	411,059	-	411,059
Encumbrance	1,069,490	1,585,321	-	-	2,654,811	-	2,654,811
Hospital Contributions	5,630,000	(4,630,000)	-	-	1,000,000	-	1,000,000
Smart Growth	1,910,899	(156,003)	-	-	1,754,896	-	1,754,896
Total Regional Commitments	**10,840,448**	**(4,710,186)**	**1,258,185**	**-**	**7,388,447**	**-**	**7,388,447**
Sewage Operations Capital Works	62,416,939	14,636,648	(29,185,537)	395,603	48,263,653	(3,461,500)	44,802,153
Water Operations Capital Works	65,327,728	21,104,552	(23,774,826)	1,717,489	64,374,944	-	64,374,944
Waste Management	16,389,311	91,401	(6,495,000)	5,784,548	15,770,260		15,770,260
Total Rate Supported Capital	**144,133,978**	**35,832,601**	**(59,455,363)**	**7,897,640**	**128,408,856**	**(3,461,500)**	**124,947,356**
Total (Excluding Deferred Revenues)	**$ 266,682,046**	**$ 53,438,824**	**$ (84,357,099)**	**$ 11,289,977**	**$ 247,053,748**	**$ (4,727,453)**	**$ 242,326,295**

* Capital commitments represent previously approved capital budget items that have not yet been initiated.

Note: Of the balance available at December 31, 2011, $3.1 million has been committed to 2012 year outside of the budget process but through the encumbrance and yearend transfer reports. The approved 2012 budget will have net impact of decreasing total reserves by $23.0 million. As a result, at January 1, 2012 the uncommitted reserve balance is $216.1 million.

Deferred Revenues (Development Charges & Gas Tax Reserve Funds)

Description	Balances at December 31, 2010	2011 Net Transfers from/(to) Operating	2011 Capital Transfers	Balances at December 31, 2011	Capital Commitments *	Balance Available at December 31, 2011
Development Charges-General Government	$ 482,193	$ (45,388)	$ -	$ 436,805	$ -	$ 436,805
Development Charges-Public Works	185,631	2,320	-	187,951	-	187,951
Development Charges-Police Services	861,786	165,567	-	1,027,353	-	1,027,353
Development Charges-Roads	16,758,789	5,105,472	(6,132,405)	15,731,856	(8,730,321)	7,001,536
Development Charges-Sewer	4,169,758	3,508,842	(154,342)	7,524,259	(2,786,566)	4,737,692
Development Charges-Water	9,836,964	1,653,375	(533,410)	10,956,929	(1,297,177)	9,659,751
Development Charges-Emergency Medical	126,454	3,553	-	130,007	-	130,007
Dev Deposit/Protest	144,921	(144,921)	-	-	-	-
Provincial Gas Tax	1,097,961	(1,097,961)	-	-	-	-
Federal Gas Tax	8,866,361	13,129,564	(7,855,822)	14,140,103	(14,140,103)	-
Total	**$ 42,530,818**	**$ 22,280,425**	**$ (14,675,979)**	**$ 50,135,263**	**$ (26,954,168)**	**$ 23,181,096**

* The capital commitments included represent all approved capital project expenditures budgeted to be funded by development charges as of December 31, 2011.

Note: Each yearend a review of the status of capital projects is completed and revenue earned is transferred from the development charge account to the capital project. In this respect, the balance available represents uncommitted development charges as of December 31, 2011 to be applied to capital projects through future capital budgets. The approved 2012 budget will have a net impact of decreasing total deferred revenues by $6.1 million. As a result, at January 1, 2012 the uncommitted deferred revenue balance is $16.9 million.

Development Charge Revenues

	2010		2011	
Gross Development Charge Revenues	33,558,395		20,076,316	
Less: Non-discretionary exemptions	(2,370,647)	7.1%	(1,379,903)	6.9%
	31,187,748		18,696,413	
Less: Discretionary exemptions (Forgone Revenue)	(20,142,941)	60.0%	(8,627,524)	43.0%
Net Development Charges Revenues **	11,044,807	32.9%	10,068,889	50.2%

** Development charge revenues are deposited to the reserve funds above.

Note: Forgone revenues in 2010 include approximately $9 million related to the new Hospital. Forgone revenues result in less funding available for growth related projects. This has a direct levy/rate impact.

Encumbrances

Encumbrance accounting is a mechanism to facilitate the accounting of goods and services where an obligation to purchase has occurred but the goods or services had not been received by year end. Public sector accounting requires the Niagara Region to follow accrual based accounting. This creates a funding complication in that items ordered and services contracted near year end and received subsequent to year end would not be matched to their budgeted funding. Encumbrance accounting was introduced to effectively transfer the budgeted funding for goods and services where a purchase order, contract or other commitment exists, to an encumbrance reserve at year end. Below is a detailed summary of 2011 encumbrances by department as reported in CSD 26-2012.

Description	Amount
Corporate Services	
Financial System Review CSD 152-2011	400,000
Assessment Roll Audit CSD 205-2011	20,000
Long-term accomodation study - various groups	160,593
Total Encumbrances for Corporate Services	**580,593**
Integrated Community Planning	
Culture Capital of Canada	402,000
Consulting Services for Residential, Employment and Retail Land Inventory	75,000
Economic Impact Assessment	70,000
Sustainable Niagara Phase 3	45,000
Development Charges Background Study	30,000
Valu Added - Agriculture	6,600
EIS Guidelines	21,711
Regional Phasing Policies	143,851
Official Plan for Wainfleet & St. Catharines	75,189
Greater Niagara Circle Route Administrative Review	47,167
Water Smart - Various Studies WA0902	50,000
Water Smart - Water Policy WA0902	26,153
Total Encumbrances for Integrated Community Planning	**992,671**
Niagara Regional Housing	
Kiwanis Cresent Community - Ceramic Tile & Carpeting	21,315
Steele Street Community - Interior Painting	16,574
Huron Street Community - Interior Painting	26,254
Building Conditions Assessments RFP11-07	87,047
Various office equipment and supplies	6,034
Total Encumbrances forNiagara Regional Housing	**157,224**

Encumbrances (cont'd)

Description	Amount
Public Works	
Waste Management - Supply & install kiosks	17,035
Waste Management - Supply electronic bin	7,377
Waste Management - Plastics Awareness Campaign	50,000
W/WW - Conditional Assessment of Decew WTP Old Valve House	5,190
W/WW - Lighting Retrofit - Seaway WWTP	46,505
W/WW - Automatic Vehicle Locator Program	137,584
W/WW - Paving at Fourth Avenue Pump Station	13,732
W/WW - Niagara Falls WWTP - RBC Optimization Project	25,420
W/WW - Submersible Pumps	57,409
W/WW - Port Weller Final Clarifier	90,220
W/WW - Baker Road Hot Water Pipe Replacement	47,217
W/WW - Grading and paving at 3 locations	45,773
W/WW - Replacement windows	38,791
W/WW - Condition Assessment Rose Hill W91102	10,305
W/WW - Condition Assessment Booster & PS Phase IV W91103	16,627
W/WW - Condition Assessment Structural Assessment Port Weller Clarifier W91104	2,146
W/WW - Condition Assessment 360 View of Plants W91105	1,108
W/WW - Pump Station Performance Tests W91106	19,987
W/WW - Water Hydraulics Peer Review W91107	16,530
W/WW - Condition Assessment Port Weller WWTP W91108	58,358
Transportation - St. David's Road Bicycling and Pedestrian Facilities	31,423
Transportation - Niagara Transportation Strategy Update	31,651
Transportation - Amendments to Sign By-law 2705-80	38,180
Transportation - Communication Marketing Promotion Inter-municipal transit	115,755
Total Encumbrances for Public Works	**924,323**

Encumbrance History

	2011	2010	2009	2008	2007
Administration	$ -	-	$ 20,000	$ 20,000	$ 31,600
Community Services	-	-	34,000	-	-
Corporate Services	580,593	18,460	147,600	79,324	149,092
Niagara Regional Housing	157,224	75,808	43,964	21,700	-
Integrated Community Planning	992,671	172,144	177,000	158,000	169,885
Public Health	-	-	577,359	-	88,345
Public Works	924,323	803,078	821,197	1,612,554	365,742
TOTAL	$ 2,654,811	$ 1,069,490	$ 1,821,120	$ 1,891,578	$ 804,664

Capital Summary

Capital Budgets are prepared each year by the respective functional area of departments, boards, and agencies as part of the overall Capital Asset Management process related to program planning, financing and administration of the tangible capital assets of the Niagara Region.

The capital budget represents priority projects as determined by the departments, boards, and agencies, and approved by Council. When capital budgets have been approved projects are initiated. Project managers within the departments, boards, and agencies administer the projects and maintain the related tangible capital asset information. Project managers are accountable for monitoring the projects within the capital program and taking corrective action when necessary including both reporting on significant variances as well as taking part in the capital close out process.

The Corporate Services department develops the Capital Affordability Strategy, the Capital Financing Strategy and Capital Budget guidelines, in co-ordination with departments, boards and agencies input and in conjunction with Council objectives. Corporate Services staff prepare the consolidated capital budget and forecast based on the requests of departments, boards, and agencies; co-ordinate capital initiations, financing, close out approvals and reporting, support tangible capital asset accounting in accordance with the Capital Asset Management Policy, and new with the introduction of this report, report on the consolidated activity of the capital program.

	2011 Capital Projects			All Capital Projects				
				Projects **			2011	
Functional Area	2011 Budget	2011 Actuals *	2011 Uninitiated Budget	Total Budget	Project-to-Date Expenditures	Budget Remaining	Project Expenditures	Project Funding
Community Services	1,631,000	876,642	100,000	12,381,209	3,802,302	8,578,907	2,652,808	(2,808,238)
Facilities	6,315,000	1,547,545	-	14,667,895	5,534,416	9,133,479	4,046,405	(5,118,827)
General Government	1,000,000	259,697	597,830	16,115,829	15,713,192	402,637	6,778,260	(7,743,686)
Technology	4,153,202	1,724,135	340,000	7,586,093	4,133,169	3,452,924	3,368,300	(3,881,245)
Public Health	1,450,000	-	-	1,450,000	-	1,450,000	-	(1,146,363)
Fleet	1,748,407	533,214	-	3,337,853	1,298,709	2,039,144	1,151,948	(1,123,783)
Roads	43,160,000	14,928,391	-	159,454,170	100,751,562	58,702,608	34,504,279	(26,257,959)
NPCA	1,513,121	1,513,121	-	-	-	-	1,513,121	(1,513,121)
Police	5,995,204	1,606,124	3,000,000	116,484,065	25,813,585	90,670,480	9,357,678	(3,416,003)
NRH	3,576,050	2,686,676	-	14,572,240	8,895,527	5,676,713	3,596,103	(1,772,873)
Water	22,250,000	7,536,591	-	87,386,698	40,243,865	47,142,833	9,152,393	(31,382,915)
Waste Management	7,260,000	1,644,042	-	18,638,237	9,749,198	8,889,039	2,536,330	(5,640,738)
Wastewater	35,125,000	11,354,117	-	258,852,950	172,094,222	86,758,728	26,574,460	(45,486,777)
Total	**135,176,984**	**46,210,294**	**4,037,830**	**710,927,239**	**388,029,747**	**322,897,492**	**105,232,085**	**(137,292,530)**

* 2011 total project expenditure allocated to the 2011 budget year.

** Includes all active, on hold and uninitiated projects.

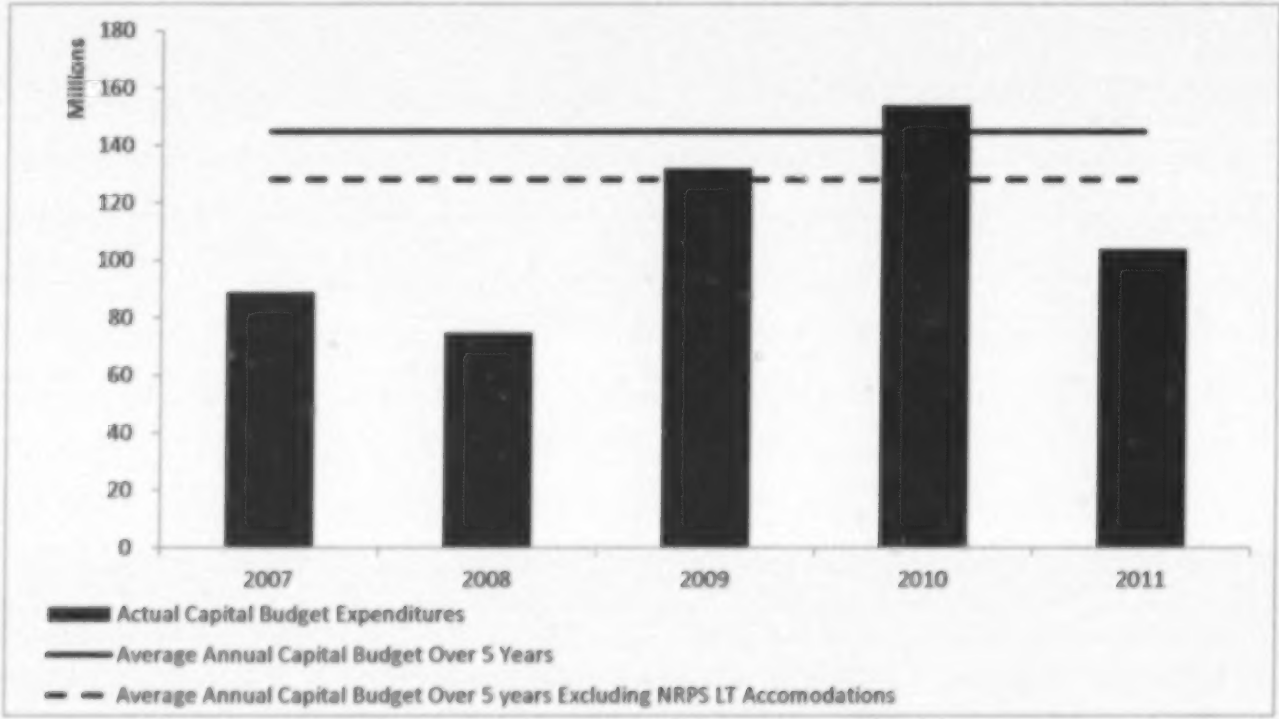
Note: This table does not include project commitments.

Capital Summary (cont'd)

Council approved a 2011 Capital Budget of $135,176,984 comprised of 122 projects. During the year, 310 sub projects were initiated in various functional areas. Allocated spending on these projects was $46,210,294, leaving $88,966,690 as committed through contract awards or to be spent in subsequent years. 2011 capital budgets yet to be initiated amount to $4,037,830. In addition, $839,623 in projects related to capital budgets approved prior to 2011 are also uninitiated.

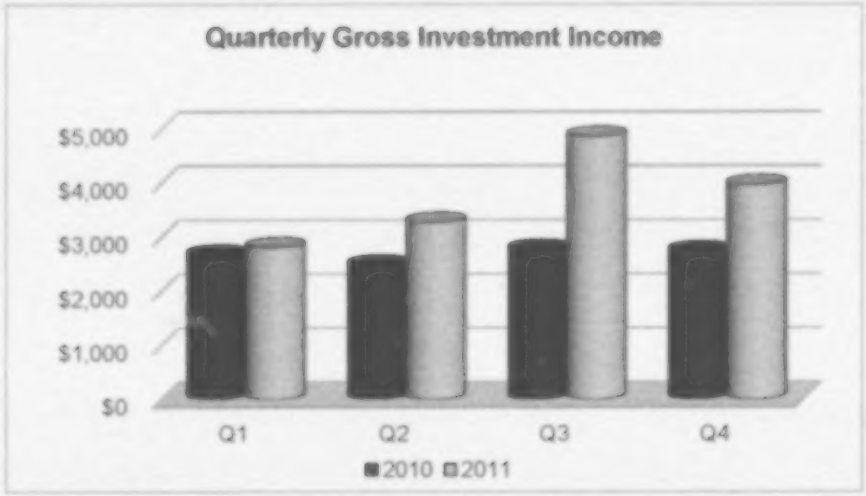
Total capital budgets for all active projects at the end of 2011 amounted to $710,927,239. Total project to date expenditures on these projects equaled $388,029,747 leaving $322,897,492 as committed through contract awards or to be spent in subsequent years. The single largest project with unspent budget relates to the NRPS Long Term Accommodations project.

Recognizing approved capital projects often span multiple years, the following graph illustrates annual total capital spending versus average capital budget over a five year term. During the 5 year period, excluding the NRPS Long Term Accomodations project, the capital expenditures totalled approximately 86% of the budgets approved.



Investment Summary (in 000's)

Institution	Aggregate Amount of Investment by Institution	Percentage Holdings by Security including Cash
Investments	Fourth Quarter	
Region of Niagara	31,352	6.4%
Federal	15,338	3.1%
Provincial	139,104	28.3%
Municipal	21,390	4.3%
Major Schedule I Banks	186,236	37.9%
Corporate (PHCP Humber LP)	3,000	0.6%
Supranational	5,000	1.0%
TOTAL excluding Cash	401,421	81.6%
Cash (General Checking)	41,313	8.4%
Cash (Savings)	49,122	10.0%
Cash (Sinking Fund)	1	0.0%
TOTAL including Cash	491,858	100.0%



Funds	Book Value	Weight Q4
Cash	90,437	18.4%
Cash Equivalents < 1 Year	89,023	18.1%
2 Year	41,476	8.4%
3 Year	78,154	15.9%
4 Year	75,518	15.4%
5+ Year	117,250	23.8%
Total Portfolio	491,858	100%

	Q1	Q2	Q3	Q4	Total
2010 Actuals (Gross)	2,678	2,490	2,777	2,747	10,692
2011 Budget (Gross)	2,845	2,845	2,845	2,845	11,379
2011 Budget (Net)	2,845	2,845	2,845	1,845	10,379
2011 Actual (Gross)	2,819	3,281	4,870	3,973	14,943
2011 Actual (Net)	2,819	3,281	4,870	1,739	12,709

Note: Net amounts are after interest allocation to reserve funds and recommended transfer to investment income stabilization reserve.

Investment Update

Investment earnings on the portfolio for the fourth quarter of 2011 amounted to $3,972,693. Segmented earnings were $3,566,865 on investments and $406,828 on the cash balance. The fourth quarter annualized rate of return if the investment and cash portfolio was 3.21 per cent. The annual portfolio rate of return was 3.08 per cent. At December 31, 2011, the portfolio had unrealized market gains (market value vs. book value) of $12,785,982.

Corporate Financial Statistics

	2011 *	2010	2009	2008	2007
Affordability					
Net levy	$ 282,829,024	$ 282,549,699	$ 280,257,383	$ 273,591,751	$ 269,975,811
Net levy per capita	$ 626	$ 637	$ 633	$ 619	$ 622
Reserve Balances					
Levy reserves (before yearend transfers)	$ 115,252,555	$ 122,548,068	$ 133,621,809	$ 134,100,344	$ 122,974,934
Levy reserves as a % of levy	40.75%	43.37%	47.68%	49.01%	45.55%
Rate reserves (before yearend transfers)	$ 120,511,216	$ 144,133,978	$ 115,131,571	$ 113,290,957	$ 140,215,565
Rate reserves as % of rate requisition	88.37%	107.14%	88.18%	89.10%	114.02%
Net Long Term Debt					
Debt servicing as a % of own source revenues	8.44%	6.77%	6.55%	7.25%	8.12%
Debt as a % of own source revenues	50.40%	56.39%	32.94%	34.43%	39.68%
Credit rating	AA stable	AA stable	AA stable	AA stable	AA stable
Net long-term debt	$ 264,167,325	$ 295,527,843	$ 167,571,880	$ 170,205,633	$ 192,089,399
Net long-term debt per capita	$ 585	$ 666	$ 378	$ 385	$ 443
Net debt charges	$ 44,259,801	$ 35,480,909	$ 33,307,433	$ 35,824,232	$ 39,297,981
Net debt charges per capita	$ 98	$ 80	$ 75	$ 81	$ 91
Annual repayment limit	$ 95,547,000	$ 87,754,000	$ 81,724,000	$ 82,763,000	$ 82,289,000

* 2011 population taken from FP markets - estimates until finalized

Budget Adjustment Summary

Throughout the year, budget adjustments are made to reflect revised external funding for programs and to reallocate costs between departments or accounts due to operational changes. The primary driver of external funding adjustments is the Ministry funded programs because they set their budgets after the Region's budget is approved. However, the Ministries want to see these dollars reflected in the Region's budget. For this reason adjusting the gross budget throughout the year has been a long standing practice at the Niagara Region. Adjusting the gross budget has no impact on the levy as both external revenue and expenses are increased equally to reflect those program requirements. The net budget impacting levy and rate is not adjusted. Below is a summary of gross budget adjustments that have been processed to date. Reallocations of costs within departments or among categories are not summarized below. The adjusted budget is presented throughout this reporting book.

Original Budget Revenue & Expenditures		**$740,012,217**	
Reclassification Adjustments (Items included as offsets to revenue in budget process but included as expenditures for actual financial statement reporting).			
Tax Write-Offs	$ 6,075,219		
Transfer to Reserve	500,000		
NPCA Debt Issue Costs Recovered	15,130		
Salary Chargeback	113,412	**6,703,781**	
Budget Adjustments (Adjustments to the original gross expenditure budget).			
General Administration	21,250		Record additional Corporate Employee Recognition Team (CERT) funding and expenses.
Police Services & Board	349,227		Record Provincial Anti-Violence Intervention Strategy (PAVIS) Grant funding and expenses as per new contract.
Public Health	31,664		Record Ministry of Health and Long-term Care (MOHLTC) one-time funding and expenses for sexual health special project.
Public Health	555,000		Record MOHLTC one-time funding and expenses for low income dental program.
Public Health	78,344		Record MOHLTC funding and expenses for food safety - farm to fork program.
Public Health	(50,000)		Reduction of MOHLTC funding and expenses for Breast Health Initiative.
Public Health	73,890		Record MOHLTC funding and expenses for New & Emergent Concerns program.
Public Health	191,140		Record MOHLTC funding and expense for Emergency Diease Response Capacity program.
Public Health	26,448		Record MOHLTC funding and expense for Safe Water Program.
Public Health	156,727		Record MOHLTC funding and expense for Bed Bug Program.
Public Health	(89,390)		Reduction of MOHLTC funding and expenses for Niagara Drug Awareness Program.
Public Health	47,355		Record MOHLTC funding and expense for Sexual Health Program.
Public Health	35,261		Record MOHLTC increased funding and expense for Safe Water Program.
Public Health	58,761		Record MOHLTC increased funding and expense for Food Safety Program.
Public Health	170,040		Record MOHLTC increased funding and expense for SDOH Nurse & Breastfeeding Programs.
Public Health	1,039		Record MOHLTC increased funding and expense for Tobacco Enforcement Program.
Community Services	1,556,433		Record subsidy received for MOHLTC Construction Costs. Offset by chargeback of debt charges.
Community Services	185,000		Record one-time funding and expenses.
Community Services	410,260		Record MOHLTC Compliance premium and expense
Emergency Services	197,107		Record MOHLTC additional offload nurse funding and expense.
Emergency Services	600,865		Record MOHLTC additional funding and expenses.
Emergency Services	234,800		Reflects applied emcumbrance reserve transfer so that Niagara Region's portion of budget matched (50/50) MOHLTC portion.
Emergency Services	43,275		Record new MOHLTC funding and expense for Offload Nurse program.
Waste Management	8,670	**4,893,164**	Transfer of budget from capital to operating as forklift purchase planned in capital but was actually leased.
December 31, 2011 Adjusted Budget		**$751,609,142**	

Explanation of Statement of Operations

The statements of operations provided in the above pages summarize the Niagara Region's financial operating activity as of December 31, 2011. These statements have been compiled by Corporate Services and the departments have validated the information and provided commentary.

These statements present the net funding position of the Niagara Region's operating budget and do not include Private Sector Accounting (PSA) adjustments for amortization, employee future benefits, and landfill liability. Approved and/or expected unbudgeted transfers to/from reserves and reserve funds can offset other variances and affect net surplus/deficit reported by departments. These statements do not include capital activity.

To better help users understand what is included in the report, below are some definitions.

Report Columns

Annual Budget - represents the annual budget approved by council in March 2011 with budget adjustments as explained on page 44.

Year To Date Actual - represents actual costs incurred and revenues earned from January to December. Departments have accrued for goods or services received but not yet paid for and revenues earned but not yet received.

Year To Date Variance - represents the difference between the annual budget and the year to date actual. An unfavourable variance (i.e. actual expenditures are greater than budgeted or actual revenues are less than budgeted) is shown as a negative and a favourable variance (i.e. actual expenditures are less than budgeted or actual revenues are greater than budgeted) is shown as a positive.

Report Rows

EXPENDITURES

Personnel Costs - include all salaries, benefits, and personnel related allowances (meals, clothing, training, etc).

Administrative Expenses - include some allowances (car, mileage, etc.), memberships, training and related expenses and other miscellaneous expenses.

Materials, Supplies and Utilities - include costs for; chemical, medical and office supplies, small equipment, waste management supplies, and all utilities.

Repairs & Maintenance - include all costs to repair or maintain equipment, property and vehicles.

Purchased Services and Other Operating Expenses - include costs for audit, advertising, consulting, insurance, leases, contracted services, Provincial Offenses Act (POA) expenses and other expenses.

Explanation of Statement of Operations (cont'd)

Social Assistance - costs include all Ontario Works allowances and benefits program costs.

Financial Expenditures - include all interest charges, principal debt payments, tax write-offs, and bad debt expense. The debt related charges included in this section get allocated to departments though the chargeback/recovery process.

Capital Equipment and Renovation - costs include all capital expenditures processed through the operating statement.

Interfunctional Operating Charges - include all departmental chargebacks for various services. Chargebacks are recorded internally as a mechanism to reflect the full cost of each department. It is widely recognized within the organization that the current chargeback model does not achieve full cost accounting and as such FMP will lead a review of the current chargeback model in the fall of 2011. For departments, interfunctional operating charges include insurance costs, rental costs, audit costs, WSIB costs, allocated salary costs, debt related costs, IT related costs, and many other interfunctional cost allocations. At a corporate level this will balance to interfunctional operating recoveries.

Interfunctional Operating Recoveries - include all department recoveries for various services described in the interfunctional operating charges above. At a corporate level this will balance to interfunctional operating charges.

Niagara Regional Housing (NRH) Provider Subsidy and Supplements - include all rent supplements and the use of all housing related subsidies.

Transfer to Reserves and Reserve Funds - include all transfers of funds in the current year from operating to a reserve or reserve fund. At a corporate level the net of the transfers to reserves and the transfers from reserves represents our total contribution to reserves or draw on reserves in the year.

External Recoveries - include all costs the Region recovers from outside boards and agencies or other external parties. It mainly includes debt charges recovered from area municipalities, school boards, and Niagara Peninsula Conservation Authority (NPCA).

Capital Recoveries - include all costs that are incurred in the operating statements but subsequently allocated to capital projects. It mainly includes personnel costs and project management fees allocated to capital projects.

Explanation of Statement of Operations (cont'd)

REVENUES

Taxation – Levy - includes all revenues received from area municipalities including Payment-in-lieu (PIL) and supplemental. It also includes power dams revenue.

Taxation – Rate - includes all funds received to support water and wastewater operations.

Ontario/Canada Grants - include all funds received from the provincial and federal governments.

Fees and Services Charges - include child care fees, health fees, police fees (i.e. accident reports, etc), seniors homes fees (i.e. long term care accommodations fees), road fees, waste management fees (i.e. requisitions on local area municipalities) and other miscellaneous fees (i.e. zoning).

Other Revenue - includes investment income, POA revenue, recycling revenue, NRH revenue, and other revenue.

Transfers from Reserves & Reserve Funds - Transfers from reserves and reserve funds include all transfers of funds in the current year to operating from a reserve or reserve fund. At a corporate level the net of the transfers from reserves and the transfers to reserves represents our total contribution to reserves or draw on reserves in the year.